

# **CORPORATE GOVERNANCE GUIDELINES**

## **ATHENEX, INC.**

The Board of Directors (the “Board”) of Athenex, Inc., a Delaware corporation (the “Company”), believes that effective corporate governance by a corporation’s board of directors is critical to establishing the requisite investor trust necessary to best serve the long-term interest of its stockholders.

As part of its continuing effort to develop and maintain the proper processes, structure and composition for effective management, the Board has approved the following corporate governance guidelines (the “Guidelines”). These Guidelines, the Company’s charter documents, and the charters of the committees of the Board provide the framework for the corporate governance of the Company.

The Board and its Nominating and Governance Committee (the “Governance Committee”) will review these Guidelines and other aspects of governance annually, or more often if the Board or Governance Committee deems necessary.

### **General Operating Principles of the Board**

The Board believes its primary responsibilities are as follows:

- Understand and approve the Company’s long-term strategies;
- Identify and supervise management in addressing the primary issues confronting the Company with respect to such strategies;
- Identify and supervise management in addressing the most important risks facing the Company;
- Identify, review and evaluate candidates to serve as Chief Executive Officer;
- Review and evaluate the performance of the Chief Executive Officer;
- Review Chief Executive Officer succession plans on an annual basis;
- Oversee management to ensure that it acts in the best interest of the Company and its stockholders;
- Approve acquisitions, divestitures and other major corporate actions;
- Approve the Company’s annual operating financial plan, including significant capital expenditures; and
- Ensure processes are in place for maintaining the integrity of the Company’s financial statements and complying with applicable laws and a publicly available Code of Business Conduct and Ethics.

To fulfill such responsibilities, the Board recognizes the need for it to be vigorous and diligent with respect to corporate governance issues and maintain a membership that not only understands the central business issues critical to the success of the Company, but also acts objectively, independently and with the utmost integrity, with the objective of improving stockholder value.

To that end, the Board favors open discussions and encourages the presentation of differing views among the Board as a whole and its committees. Moreover, the Board encourages directors to interact with senior management and visit the Company's facilities on a regular basis. In addition, the Board may, from time to time, need to seek objective expert advice in order to effectively fulfill its responsibilities and will retain outside advisors as appropriate to obtain such assistance.

### **Board Composition**

The Board believes effective oversight requires objectivity and independence from management. At all times, the Board will be composed of not less than the legally required percentage of "independent" directors pursuant to Nasdaq rules. An "independent" director means a person other than an executive officer or employee of the Company or any other individual having a relationship which, in the opinion of the Board, would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. For these purposes, the Board has determined that a director will not be deemed independent if he or she:

- Is, or at any time during the past 3 years was, employed by the Company or any of its subsidiaries;
- Accepted or has a family member who accepted any compensation from the Company in excess of \$120,000 during any period of twelve consecutive months within the past 3 years, other than compensation for service on the Board, benefits under a tax-qualified retirement plan, non-discretionary compensation or compensation paid to a family member who is an employee (other than an executive officer) of the Company;
- Is a family member of any individual who is, or within the past 3 years was, employed by the Company or by any parent or subsidiary of the Company as an executive officer;
- Is, or has a family member who is, a partner in, or a controlling shareholder or an executive officer of, any organization to which the Company made, or from which the Company received, payments (other than those arising solely from investments in the Company's securities or under non-discretionary charitable contribution matching programs) for property or services that exceed 5% of the recipient's consolidated gross revenues for that year, or \$200,000, whichever is more, in the current fiscal year or any of the past 3 fiscal years;
- Is, or has a family member who is, employed as an executive officer of another entity where at any time during the past 3 years any of the Company's executive officers serve on the compensation committee of such other entity;

- Is, or has a family member who is, a current partner of the Company’s outside auditors, or was a partner or employee of the Company’s outside auditors who worked on the Company’s audit at any time during any of the past 3 years; or
- Has any other relationship or affiliation that would cause such individual to not be deemed “independent” under applicable rules and regulations of the Nasdaq Stock Market.

For purposes of these Guidelines, “family member” means a person’s spouse, parents, children and siblings, whether by blood, marriage (such as “in-law” relationships) or adoption, or anyone residing in such person’s home.

The Governance Committee will periodically review the Board’s standards for independence and recommend to the Board such modifications and additional criteria as the Governance Committee deems necessary to maintain and augment the independence and objectivity of the Board. The Board will at all times maintain the requisite standards for independence as set forth in applicable laws and regulations.

### **Board Leadership**

The Board will determine its leadership structure in a manner that it determines to be in the best interests of the Company and its stockholders. The Board will conduct an annual assessment of its leadership structure to determine that the leadership structure is the most appropriate for the Company at the time. The Chairman of the Board and Chief Executive Officer positions may be filled by the same individual. The Chairman of the Board, among other things, (a) presides at, and chairs, Board meetings and meetings of stockholders, (b) establishes agendas for each Board meeting in consultation with the chairs of applicable committees of the Board and with the approval of the Lead Director (if any), and (c) performs such other duties and responsibilities as requested by the Board.

### **Lead Director**

The Board, by a vote of the majority of independent directors, will designate an independent Lead Director if the Chairman of the Board and the Chief Executive Officer are one person. In addition to the other duties and responsibilities of the Lead Director set forth in these Guidelines or the Bylaws of the Company, the Lead Director shall have the following duties and responsibilities:

- Serve as a liaison between the Chairman of the Board and the independent directors;
- Lead executive sessions of the Board;
- Lead the Board in discussions concerning the Chief Executive Officer’s employment, performance, compensation and dismissal;
- Approve meeting agendas and meeting schedules for the Board;
- Approve information sent to the Board;

- If requested by major stockholders, be available for consultation and direct communication; and
- Perform such other duties and responsibilities as requested by the Board.

### **Committees of the Board**

The Board has established the following committees to assist the Board in discharging its responsibilities: (i) Audit Committee; (ii) Compensation Committee; and (iii) Governance Committee. The Board will adopt a written charter for each committee, which charter will set forth each committee's composition, roles and responsibilities. Each committee chair is expected to report the findings and conclusions of the committee to the Board following each meeting of the respective committees. The Board may add new committees or disband existing committees (where permitted by Nasdaq rules) as it deems advisable in the fulfillment of its responsibilities.

The members of the Board's committees will meet the independence criteria set forth above as determined by the Board. The Governance Committee will periodically review the standards for independence as set forth by the SEC and the Nasdaq Stock Market, and recommend to the Board such modifications and additional criteria as the Governance Committee deems necessary to maintain and augment the independence and objectivity of the members of the various Board committees. The committees of the Board will at all times maintain at least the requisite standards for independence as set forth in applicable laws and regulations.

### **Board and Committee Nominations**

For each meeting of stockholders to elect members of the Board, the Governance Committee will recommend that the Board nominate qualified candidates whom the Governance Committee has evaluated to stand for election to the Board. The Governance Committee will be similarly responsible for identifying and recommend to the Board any candidates to fill vacancies on the Board. The Board believes that a director should not expect to be re-nominated for election by the Board on the recommendation of the Governance Committee unless such director continually meets the qualifications set forth by the Board and the Governance Committee.

The Governance Committee will recommend to the Board the members and chairperson of each committee of the Board, subject to Board approval. The Board will appoint the members and chairperson of the Governance Committee.

The Governance Committee will consider candidates recommended by stockholders. Stockholders wishing to suggest director candidates should submit their suggestions in writing to the attention of the Secretary of the Company.

### **Directors' Qualifications**

The Governance Committee will develop comprehensive criteria for membership on the Board, and to evaluate potential candidates in accordance with such criteria. The Board believes that each member of the Board should:

- Possess the highest personal and professional ethics, integrity and values;

- Commit to represent the long-term interests of the Company and its stockholders;
- Possess diverse experience at policy-making levels in business, science, and technology, and in other areas that are relevant to the Company's activities;
- Possess key personal characteristics such as strategic thinking, objectivity, independent judgment, intellect and the courage to speak out and actively participate in meetings;
- Devote sufficient time to carry out his or her duties and responsibilities effectively, and should be committed to serve on the Board for an extended period of time;
- Expect to offer resignation in the event of any significant change in his or her personal circumstances, including a change in his or her principal job responsibilities; and
- Ensure that there is an absence of conflict of interest with the Company's business.

### **Other Boards and Committees**

Without specific prior approval from the Board, no director may serve on more than five public company boards (including the Company's Board) and no member of the Audit Committee may serve on more than three public company audit committees (including the Company's Audit Committee). In addition, directors who also serve as Chief Executive Officers or in equivalent positions generally should not serve on more than two public company boards (including the Company's Board). In calculating service on a public company board or audit committee, service on a board or audit committee of a parent and its substantially owned subsidiary counts as service on a single board or audit committee. Any Audit Committee member's service on more than three public company audit committees will be subject to the Board's determination that the member is able to effectively serve on the Company's Audit Committee and the disclosure of that determination in the Company's annual proxy statement. The Governance Committee and the Board will take into account the nature of and time involved in a director's service on other boards in evaluating the suitability of individual directors and making its recommendations to the Company's stockholders.

### **Board of Directors Compensation**

Generally, the Board believes that the level of director compensation should be based on time spent carrying out Board and committee responsibilities and should be competitive with comparable companies. In addition, the Board believes that a significant portion of director compensation should align director interests with the long-term interests of stockholders. Management should report to the Board on an annual basis how the Company's director compensation practices compare with those of other comparable public companies.

### **Evaluation of the Board and Board Committees**

Subject to Board approval, the Governance Committee will be responsible for establishing a process for evaluation of the Board and each of the committees of the Board, to determine their effectiveness and opportunities for improvement.

## **Ethics and Conflicts of Interest**

The Board believes ethical conduct is a critical component to success of the enterprise and building shareholder value. The Board expects each director, officer and employee to act with integrity at all times.

The Governance Committee will have the responsibility for overseeing ethics issues. The Governance Committee will:

- Assist management in the development and enforcement of a publicly available Code of Business Conduct and Ethics;
- Recommend to the Board any waiver of the Code of Business Conduct and Ethics to any officer or director.

If an actual or potential conflict of interest arises for a director, the director will promptly inform the Chief Executive Officer, the Chairman of the Board and the Lead Director, if designated. If a significant conflict with respect to a director exists and cannot be resolved, the director will be expected to resign. All directors will recuse themselves from any discussion or decision affecting their personal, business or professional interests.

## **Reporting of Concerns**

The Company will develop and maintain whistleblower policies and procedures to provide for the reporting of concerns about the Company's accounting, internal accounting controls, auditing matters, financial disclosure and reporting, or other possible violations of laws, regulations, policies and procedures. The policy will ensure confidentiality to the extent possible, and prohibit retaliation against reporting.

## **Board Meetings - Frequency**

The Board will generally have at least four regularly scheduled meetings per year and hold additional meetings (regularly scheduled and special) as necessary. Each director is expected to attend both scheduled and special meetings, except if unusual circumstances make attendance impractical.

## **Conduct of Board Meetings**

The Chairman of the Board and the Chief Executive Officer will be responsible for preparing the agenda of any meeting of the Board, which shall be approved by the Lead Director (if any). The proposed agenda for each regularly scheduled meeting of the Board, as well as all information relevant to the Board's understanding of matters to be discussed at the meeting, should be distributed in writing or electronically to all members in advance, whenever feasible and appropriate. Directors are expected to review meeting materials that are provided in advance. Board members will have the opportunity to request that additional matters be placed on such agenda. Directors are expected to attend Board meetings and meetings of the committees on which they serve. Each director is also encouraged, and the Chairman of the Board and Chair of the Audit Committee are expected, to attend the Company's annual meeting of stockholders.

The independent directors will meet in executive session without management present in connection with each regularly scheduled meeting of the Board. The independent directors may meet in executive session without management present at such other times as are determined necessary. If the Chairman is independent, the Chairman will serve as the chairman of such meetings. In the event that the Chairman is not independent, the Lead Director will serve as the chairman of such meetings. If no Lead Director is appointed, an independent director, on a rotational basis, will serve as chairman of such meetings, commencing with the most senior member among the independent directors.

### **Access to Employees and Independent Advisors**

The Board has access to Company employees to ensure that directors can ask all questions and glean all information necessary to fulfill their duties. Directors shall notify the Chief Executive Officer in advance of contacting any employee and shall use judgment to ensure that any such contact is not unduly disruptive to the business of the Company. With the approval of the Chairman of the Board, management invites Company personnel to Board meetings (i) at which their presence and expertise would help the Board have a full understanding of matters being considered and/or (ii) who have future potential such that management believes the Board should have greater exposure to the individual. In addition, the Board and each of its committees will have the right and are encouraged at such times as they determine are necessary to retain independent outside financial, legal or other advisors. The selection of such advisors will be left to the discretion of the Board or the applicable committee but in all cases the Board and such committees will be cognizant of potential conflicts that may arise from engaging advisors that regularly provide service to management of the Company or derive material revenues from the Company. The Company will provide appropriate funding, as determined by the Board or any committee, to compensate those independent outside advisors, as well as to cover the ordinary administrative expenses incurred by the Board and its committees in carrying out their duties.

### **Director Orientation and Continuing Education**

The Governance Committee is responsible for developing and overseeing an orientation program for new directors and a continuing education program for all directors. The Board believes that director orientation and continuing education is essential to valuable Board participation and decision making. In addition, portions of certain Board meetings will be devoted to educational topics at which senior management and outside subject matter experts present information regarding matters such as the Company's industry, business operations, strategies, objectives, risks, opportunities, competitors and important legal and regulatory issues. The Company encourages directors to periodically pursue or obtain appropriate programs, sessions or materials and the Company will reimburse directors for reasonable expenses in accordance with Company policy.

### **Chief Executive Officer Evaluation and Management Succession Planning**

The Compensation Committee conducts a review at least annually of the performance of the Chief Executive Officer. The Compensation Committee establishes the evaluation process and determines the criteria by which the Chief Executive Officer is evaluated. The results of this review are communicated to the Chief Executive Officer.

As part of the annual officer evaluation process, the Governance Committee works with

the Chief Executive Officer to plan for the succession of the Chief Executive Officer and other senior executive officers, as well as to develop plans for interim succession for the Chief Executive Officer and other senior executive officers in the event of retirement or an unexpected occurrence. Management succession planning may be reviewed more frequently by the Board as it deems warranted.